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SUBJECT: EAP DAS CHRISTENSEN AND MFA DIRECTOR GENERAL LIU
JIEYI REVIEW CHALLENGES IN U.S.-CHINA RELATIONS

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.
4 (b/d).

Summary

1. (C) In a December 14 meeting with EAP DAS Thomas Christensen, MFA North American and Oceanian Affairs Director General Liu Jieyi reviewed progress to date and challenges ahead for bilateral relations. He noted that the U.S. presidential election, the Olympic Games in Beijing, and the elections in Taiwan would all be important issues for the two sides. DAS Christensen pressed China to continue cooperation on a third UNSC resolution on Iran, reconsider the Yadavaran oil services contract, and investigate a conventional arms shipment bound for Iran. Liu said China is still committed to getting Iran to give up its nuclear program but defended the Yadavaran deal as unrelated. DAS Christensen stressed the importance of North Korea making a timely and full declaration of its nuclear program for the Six-Party process to move to the next phase. DAS Christensen urged China to exert influence on the Burmese junta to open its political process and on the Sudan Government to stop impeding UNAMID deployments. Liu expressed appreciation for U.S. opposition to the DPP's UN referendum, but urged vigilance on Chen Shui-bian and urged Washington to avoid wrong signals. DAS Christensen urged China not to overreact to Chen's activities and stressed that a use of force by China would be a catastrophe for bilateral relations. He also strongly requested that China reconsider establishing a civilian air route in the Taiwan Strait which would be seen as very provocative on Taiwan and play into Chen Shui-bian's campaign to gain support for the DPP's UN referendum. End Summary.

Outlook for Bilateral Ties in 2008

2. (C) In a meeting December 14 with DAS Christensen, MFA North American and Oceanian Affairs Director General Liu Jieyi praised the recently concluded Strategic Economic Dialogue (SED) as being in-depth, real, and in compliance with China's changed economic priorities after the 17th Party Congress. He noted that China's economic development to date has been driven by exports and investment, but President Hu emphasized that the consumption must be placed ahead of exports and investment as the key to sustained growth. Attention to the environment was also stressed in Hu's political report. More focus on consumption and protection

the environment, Liu commented, provide opportunities for cooperation with the United States. He urged the two sides to reinvigorate economic and trade relations and to avoid protectionism.

13. (C) Previewing the upcoming year, Liu said that the U.S. presidential election, China's hosting of the Olympics, and the ability for Chen Shui-bian to cause problems at any time will be important issues for the two countries to face. Early in 2009 China and the United States will celebrate the 30th anniversary of the establishment of bilateral relations.

Liu said that it was important to maintain healthy relations, especially through the U.S. political transition. Liu said that it was particularly important to enhance political relations and strategic trust. Primarily this can be accomplished through high-level visits. China is happy with the SED and the Strategic Dialogue (SD) and hoped that those processes can be institutionalized to help bridge the administration changeover in the United States. China would welcome a visit by Secretary Rice early next year, and Executive Vice Foreign Minister Dai Bingguo is very much looking forward to hosting Deputy Secretary Negroponte in January in Beijing and Guiyang to set the tone of relations for the year.

14. (C) Liu said the two sides should also sustain cooperation and coordination on international and regional issues. Liu expressed hope that the United States would not allow domestic politics in the election season to damage bilateral relations. He also urged the United States not to hurt the interests of the Chinese side on issues such as the Dalai Lama, Falungong, human rights and the Olympics. Whatever short-term gains various groups try to achieve on these

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issues could make long-term relations suffer. Liu said that military-to-military ties should also advance and the two sides should set up a hotline between the two defense ministries as soon as a technical agreement is reached. Deputy Chief of the PLA General Staff Lieutenant General Ma Xiaotian had an excellent visit to the United States the week of December 3 for Defense Consultative Talks and made four suggestions for enhancing strategic trust. In particular, he said that countries should take into account the concerns of the other side and abandon notions of containment.

Agenda for the Strategic Dialogue

15. (C) DAS Christensen said that bilateral relations are positive and heading in the right direction. There has been excellent progress not only on bilateral but in addressing issues of common concern in third areas, such as Sudan and North Korea. Deputy Secretary Negroponte had an excellent meeting with Ambassador Zhou in Washington on November 21, at which they discussed preliminary ideas regarding the next round of the Senior Dialogue. The United States would like to propose that Sudan, Pakistan and Burma be included as topics for discussion at the SD, as well as improving common efforts to counter proliferation in places like North Korea and Iran. DAS Christensen also said he wanted to provide a formal response on Dai Bingguo's proposal for a U.S.-China-Japan trilateral. The idea is very interesting and bears further study, but the United States does not feel that the time is ripe for a formal trilateral dialogue. The United States consulted with our regional allies regarding the idea, and South Korea in particular is nervous about the idea and concerned about being excluded. With the Six-Party Talks going well, we would not like to see a new mechanism detract from that focus. The United States wants to see the track-two trilateral dialogue continue, and will continue to consider with interest the Chinese proposal.

16. (C) Liu responded that China is willing to discuss the topics proposed. On the trilateral, Liu said that the three

players in the proposed dialogue are very important for regional security. China's proposal stemmed from U.S. encouragement, such as in the track-two dialogue, and is not meant to make any country feel excluded. If everyone is to be included, then issues would only be discussed in the UN. It is natural to discuss different issues in different fora. Nevertheless, China notes the U.S. position and will stay in touch on this issue.

Iran

17. (C) DAS Christensen characterized Iran as an ongoing problem. He expressed appreciation for Assistant Foreign Minister He Yafei's participation in the Paris P5-plus-1 meeting and his continuing engagement on the issue. The various parties need to finalize a third UNSC resolution, and China's cooperation is needed. A non-paper on the issue has been prepared and will be presented to AFM He in the next meeting (septel) that specifically discussed the Iranian entities we want to designate in the third resolution. China has said that we need to keep the pressure on Iran to be effective, and we fully agree. In this light, the United States is very disappointed about SINOPEC's decision to move forward on a USD 2-billion, seven-year development deal for the Yadavaran oil field in Iran. The United States hopes that China will reconsider this decision in light of its international commitments and responsibilities to work with the United States and others to pressure Iranian compliance with the international community's demands.

18. (S) On the issue of conventional arms, DAS Christensen continued, we have raised concerns about a shipment of military-related goods on the M/V Iran Marin, which departed Tianjin on November 23 for Iran. We have new information that the cargo may include sodium perchlorate, which can be used to produce ammonium perchlorate, which is used in solid-fuel rockets motors. We understand the shipment is destined for the Iran Defense Industries Organization, an entity designated by existing UNSC resolutions. We urge

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China to recall this shipment and to investigate the cargo to ensure that it does not violate UNSC resolutions. DAS Christensen reminded Liu that the Iran issue is very sensitive in Washington.

19. (C) Liu responded that all sides are working toward a third UNSC resolution and new amendments are being proposed. AFM He will discuss this with DAS Christensen at the next meeting (septel). Liu noted that Ambassador Randt had presented a non-paper on the SINOPEC deal. Liu said that China and the United States share the same basic position in opposing nuclear proliferation in Iran and in seeking a peaceful resolution to the issue through diplomatic means. China is a responsible country and has played a key role in the passage of other UNSC resolutions regarding Iran. That said, China is a country of 1.3 billion people, and it needs energy supplies to develop. This is also conducive to the stability of the world economy. The Yadavaran project is a normal engineering services project between two companies. It also reflects concern for the humanitarian needs of the Iranian people. This deal has been under negotiation since 2003 and is not new. It is a contract for services and is not an investment.

110. (C) Liu argued that the deal is fully in line with common practices and with UNSC resolutions and does not harm the interests of seeking a solution to the nuclear issue. Normal economic and trade cooperation does not contradict efforts to convince Iran to scrap its uranium enrichment program. European countries and Japan also have normal trade with Iran, but those countries are also working to persuade Iran to give up its program. He remarked that when Foreign Minister Yang Jiechi attended the Annapolis Conference in November, Secretary Rice said she understood that China would

like other countries to respect its interests in Iran and that the new resolution is not intended to affect energy cooperation. She also indicated when she met with Foreign Minister Yang in New York in September that the United States understands that China has economic interests in Iran and that the United States does not intend to include the oil and gas sector in UNSC resolutions. Liu urged the United States to put such statements into action. Also, the United States should not impose sanctions based on domestic laws nor make irresponsible public comments on China's economic relationship with Iran.

¶11. (S) On the conventional arms issue, Liu said he was unaware of a possible solid-fuel component in the shipment and said that the MFA would look into this. China strictly upholds UNSC resolutions and has strict export controls. China will not condone any violations of UNSC resolutions or its own export controls, he added.

Six-Party Talks

¶12. (C) DAS Christensen praised the Six-Party Talks, the progress made to date, and the important role that China has played in the process. He reported that the disablement process is progressing well. It is important, however, that the North Koreans provide a timely and full declaration of their nuclear program by year's end to sustain the process and move it promptly toward the final phase of dismantlement. He urged China to use its influence to encourage the North Koreans to act accordingly. Liu did not respond.

Burma

¶13. (C) DAS Christensen expressed appreciation for some of China's actions to date, including helping to pave the way for UN Special Advisor Gambari's visit. But despite the efforts of the international community to date, there have been no meaningful improvements in Burma, and there has been clear backsliding by the regime in fulfilling the international community's demand for a serious dialogue between the regime and the opposition. The situation in Burma is not stable; it is stagnant. Without the meaningful participation of the democratic opposition and ethnic minority groups in a constitutional process, the regime's "road map" will only lead to further instability because it

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lacks any domestic credibility. The United States believes the regime needs to include Aung San Suu Kyi and ethnic minorities in the process. Furthermore, the regime needs to allow Gambari to have multiple meetings with the SPDC leadership, Aung San Suu Kyi, and other representatives of the political opposition/ethnic minorities. His pending visit in January must show real results, as was underscored by SYG Ban's recent statements on the matter. We hope China will use its influence to encourage the regime to open its political process to ensure real stability in the country. We understand that China wants stability in Burma, but Burma can not be stable without the opening up its political system.

¶14. (C) Liu responded that the situation in Burma appears to be improving. China shares objectives with the United States in wanting to see the development of democracy, the rule of law, social stability and economic development. China is encouraged by the "road map" and feels it should be implemented. There has been good contact between the regime and Aung San Suu Kyi of late, and she has shown an increased willingness to engage in dialogue. With this positive atmosphere, China hopes that nothing will be done that will make the situation more difficult. China will support Gambari's next visit, Liu said. DAS Christensen responded that we have a very different assessment of recent events in Burma and would like China to use its influence to produce truly meaningful progress there.

Sudan

115. (C) DAS Christensen requested that China press Khartoum to stop creating bureaucratic impediments to delay or derail UNAMID's full deployment. Khartoum continues to push back on certain non-African troops participating in the hybrid force and has been slow to resolve outstanding issues related to land and water usage. DAS Christensen said that over the past year China's position has undergone a dramatic and positive change, highlighted by the decision to send 315 engineering troops to Darfur. The United States has condemned rebel threats against those Chinese UNAMID troops. It is important that the Chinese corps be allowed to complete its work so that the larger force can move in, but Khartoum needs to stop dragging its feet.

116. (C) Liu responded that China has worked hard from the beginning with the Sudanese Government to take international concerns seriously. At all critical junctures, China has played a crucial role. Liu expressed appreciation for U.S. condemnation of the terrorist threat to the Chinese engineering corps. China wants to see the smooth deployment of the hybrid force. The current difficulties are minor ones, but we should not let these differences obstruct the deployment. Liu explained that it is important to do first things first, but eventually the North-South issue would have to be faced. He urged the United States to encourage the rebels to sign on to peace agreements as well. DAS Christensen agreed that both areas merit attention and said the United States was already pushing the rebels to accept peace.

Olympics and Human Rights

117. (C) DAS Christensen made clear that the United States hopes that China has a successful Olympics. At the same time there is a lot of criticism at home about our handling of our relations with China with many arguing we should be tougher. Many of these critics focus on the Olympics in their comments. President Bush announced his intention to attend the 2008 Olympic Games in Beijing, signifying the USG's hopes for a truly successful Olympics and our rejection of the notion of an Olympic boycott. We believe that the Games provide China an opportunity not only to showcase the enormous economic progress the country has made in recent decades, but also demonstrate a commitment to greater openness, tolerance, and respect for human rights. It is only natural that the eyes of the international community turn increasingly toward China in the lead-up to the Olympics, focusing on China's handling of human rights issues and press freedoms. DAS Christensen urged China to take

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these concerns seriously and to pursue a truly successful Olympics experience by showing progress on these fronts.

118. (C) DAS Christensen expressed concern about Rebiya Kadeer's imprisoned son Ablikim and reports that he is gravely ill. This is a major concern in the United States. He requested that the MFA ensure that he is receiving proper medical attention and urged that the legal cases against him and his brother, which appear politically motivated, be overturned.

119. (C) Liu responded that the Olympics belongs to the world; it is just Beijing's opportunity to host. China hopes the games will be successful. From Hu Jintao's political report of the 17th Party Congress, it is clear that China will work toward being more open even without the Olympic Games. China is pleased that the United States does not support linking other issues to Beijing's hosting of the games. With regard to Rebiya Kadeer's son, Liu noted that Kadeer left China out of consideration for her health and that she was supposed to

be resting and recuperating in the United States. The United States should not be a vehicle for her activities. Liu noted that he is not aware of any illness or if the alleged illness is real. He said no one is above the law, but prisoners have rights to medical treatment and if treatment is needed it will be provided.

Taiwan

¶20. (C) Liu expressed appreciation for U.S. efforts to oppose the DPP's UN Resolution, as well as the U.S. commitment to one China and the three joint communiques. There are indications that President Bush has been much more forceful in opposing the splittist activities of Chen Shui-bian. From now to the March 2008 election, and from the election to the May 2008 inauguration, the situation will be extremely sensitive. Chen may try to take actions that will be highly detrimental to our mutual interests in an attempt to set conditions and rules for the new leader. He said that no one wanted to see a crisis or conflict in the Strait. Liu expressed hope that the United States will be firm and forceful in preventing Chen's various attempts at independence. Liu argued that it is very important for U.S. signals to be uniform and avoid any action that could undercut U.S. opposition to the referendum. These would include any official contact with Taiwan authorities or further weapon sales.

¶21. (C) DAS Christensen responded that the United States has been very forceful on opposition to the referendum and is going to say something at a very high level at the appropriate time. He argued that no one in Taiwan reads the "signals" Liu referred to as indicating U.S. support for the referendum. In fact, pro-independence activists on the island routinely criticize the USG position on cross-Strait relations, and the pan-Blue opposition does not complain to us about tacit support for Chen Shui-bian. As for meetings with Taiwan leaders, they provide an opportunity for the United States to convey its views clearly, and Beijing should appreciate and support such meetings. The U.S. goal is to shape the political environment on Taiwan to be less receptive to Chen Shui-bian's efforts on the UN referendum, but we must recognize that the referendum is pure symbolism that cannot actually change Taiwan's constitution or its place on the international stage. The worst possible thing would be for China to overreact to the referendum. Chen will leave office, and the referendum cannot change Taiwan's status. An overreaction by China would help only help pro-independence forces on the island. Neither the United States Government nor the American public would view a mainland use of force as a reasonable or acceptable response to the referendum, and any use of force would be a catastrophe for U.S.-China relations.

¶22. (C) Along the same lines, DAS Christensen raised the reported plan to establish a civilian air corridor only a few miles west of mid-point of the Strait. He pointed out that this would be seen as very provocative in Taiwan and feed into Chen Shui-bian's logic about the need for a UN referendum to improve Taiwan's international stature. He

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noted that the corridor is close to where military exercises are held and there could be an incident. This would stoke fears on Taiwan that it is being squeezed militarily. He urged that that the decision be reconsidered. When Liu countered that such a route was fully in keeping with international civil aviation standards, DAS Christensen emphasized that this was not an economic or legal issue, but was a political and security issue. Such a move by China would be destabilizing, particularly in this highly political season on the island.

Legal and Pouch Issues

¶23. (C) Though the meeting was running over, Liu quickly raised a few additional issues. On the case of Chinese citizen Yuan Hongwei who is facing extradition to the United States from the UK, Liu said the case looks like entrapment and is being dealt with in China. He urged the United States to clarify its position on the matter. DAS Christensen responded that Yuan is accused of counterfeit, forgery and other charges in the states of Louisiana and Indiana.

¶24. (C) Liu requested that the U.S. Government intervene to prevent U.S. citizen Ann Daub's lawyer from again freezing China's assets in the United States and requested that the judgment be withdrawn. DAS Christensen said he would be in touch with DCM Zheng Zeguang about the case.

¶25. (C) Liu alleged that the Falungong (FLG) is linking up with democracy activists in an attempt to foment a military coup in China. In addition, he mentioned FLG legal cases (NFI). He said that FLG is stirring up antagonism toward Chinese students in the United States by accusing them of being agents of the Chinese Government. He asked the U.S. Government to be attentive to the FLG.

¶26. (C) Liu protested the opening of two diplomatic containers in September and October and requested that the United States respect the inviolability of the diplomatic pouch. There was no time for DAS Christensen to respond to these points.

¶27. (U) DAS Christensen cleared this message.
RANDT